

# School Food Service Finance Issues

Spring 2015  
Valerie Crouch, SNS  
School and Community Nutrition  
Kentucky Dept. of Education

# School Food Service Account

- 7 CFR 210.2

*Nonprofit school food service account* means the restricted account in which all of the revenue from all food service operations conducted by the school food authority principally for the benefit of school children is retained and used only for the operation or improvement of the nonprofit school food service. This account shall include, as appropriate, non-Federal funds used to support paid lunches as provided in §210.14(e), and proceeds from nonprogram foods as provided in §210.14(f).

# Non-Profit School Food Service Account

## (All Food Service Funds are Federal Funds)

7 CFR Part 210 and 220

ALL funds received by the non profit school food account must be used to obtain food and other goods and services for use in the Child Nutrition Program (CNP).

- Purchase food, supplies, equipment required for meal prep and service;
- Purchase prepared meals from vendors;
- Pay Food Service Management Company to operate their food service;
- Pay for labor and operational costs;
- Pay indirect costs

# Financial Analysis and Program Evaluation

## Reimbursable Meal Pricing

**Paid Lunch Equity Tool** – Required by Healthy Hunger-Free Kids Act, 2010

Requires SFAs participating in the National School Lunch Program to ensure sufficient funds are provided to the nonprofit school food service account for lunches served to students not eligible for free or reduced price meals, to prevent the free and reduced reimbursement from subsidizing paid lunch meals.

# Financial Analysis and Program Evaluation

## **Reimbursable Meal Pricing**

There are two ways to meet this requirement: either through the prices charged for “paid” lunches or through other non-Federal sources provided to the nonprofit SFA account. The Paid Lunch Equity tool is completed annually and submitted with the SFA’s application and agreement.

# Financial Analysis and Program Evaluation

Reimbursable Meal Pricing

Tool for 2015/16 SY

Guidance on Paid Lunch Equity Tool

Policy Memo

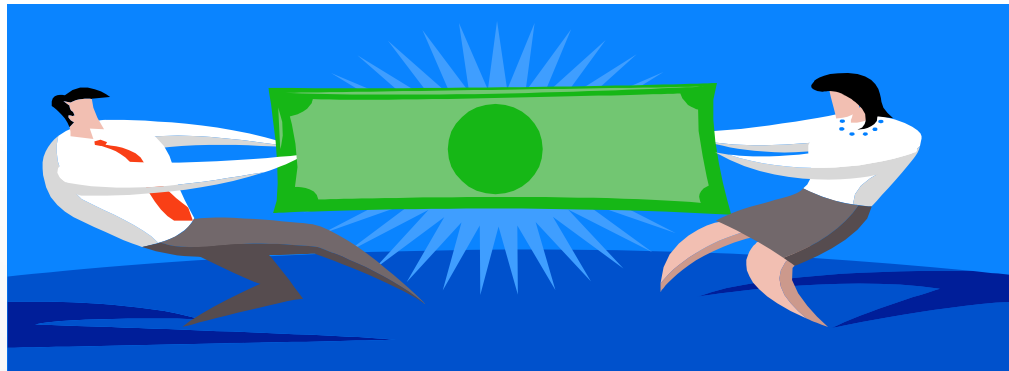
<http://www.fns.usda.gov/sites/default/files/cn/SP03-2015os.pdf>

<http://www.fns.usda.gov/sites/default/files/cn/SP03-2015v5a.xlsx>

# Financial Analysis and Program Evaluation

## Pricing of Non-reimbursable Food Items

**Non-program Food Revenue Tool** – Required by Healthy Hunger-Free Kids Act. Objective – Ensure non-program activities are not subsidized by program revenues.



# Financial Analysis and Program Evaluation

Guidance on Paid Lunch Equity Tool and Non-program Revenue Tool:

<http://www.fns.usda.gov/sites/default/files/SP39-2011osr.pdf>

Instructions on the Non-program Revenue Tool:

<http://www.fns.usda.gov/sites/default/files/SP39-2011ar.xls>



# New Financial Report in CNIPS

## Financial Contact

Contact Name

Title Food Service Director

Email Address

Phone

## Revenue and Expenditures

Reporting Period

July 01, 2014 to June 30, 2015

Opening Cash Balance	<input type="text"/>
Total Revenue	<input type="text"/>
Total Expenditures	<input type="text"/>
Surplus/Deficit	<input type="text"/>
Ending Cash Balance	<input type="text"/>

## Excess Balance Determinations

Claim Months	<input type="text"/>
Average Monthly Expenses	<input type="text"/>
3-Month Average Expenses	<input type="text"/>
Excess Balance	<input type="text"/>

## Indirect Cost

Salaries	<input type="text"/>
Employee Benefits	<input type="text"/>
Indirect Cost Rate	<input type="text"/>
Indirect Cost for CN Program	<input type="text"/>
Indirect Cost Expense for Program Yr.	<input type="text"/>

**\*\*Anything highlighted is auto-populated in CNIPS.**

# Financial Reporting

- End of Year Financial Report  
Due by:  
September 1, 2015  
90 days after the close of SFA program year

# SNP Financial Report

- **Revenue and Expenditures**
- **Opening Cash Balance-** Comes from the June 30<sup>th</sup> (Month 13) from the previous year. It is the net cash resources available to the school nutrition operation at the beginning of the school fiscal year, less current liabilities. Government regulations require that no more than three months of average expenditures may be accumulated in the fund balance. If the net cash resources exceeds the three months average expenditures, the state agency must require that the school district take action to reduce the excess balance.
- **Total Revenue-** Income received in exchange for goods or services provided by the school nutrition department. Major sources include: student payments for meals and federal reimbursement. Other sources include: state reimbursement, revenue from non-program foods, contracts for other federal programs such as Summer Food Programs, interest/dividends and rebates.
- **Total Expenditures-** Include all expenses incurred to produce reimbursable meals, expenditures for non-program items/food used, purchased services, equipment purchases, supplies/miscellaneous

# SNP Financial Report

## Excess Balance Determinations

- **Claim Months** – Populated by Sponsor for claim months. Includes SFSP & SSO.

## Indirect Cost:

- **Salaries**- Are direct labor paid from food service. (Month to Date Budget Report- Month 13)
- **Employee Benefits**- Are those paid by the employer (school district does not include on behalf payments). Month to Date Budget Report- Month 13
- **Indirect Cost Rate – (%)**The school nutrition program's share of general school districts costs that are incurred for common or joint purposes and cannot be readily identified as a direct cost. The amount covered must be through an approved cost allocation plan.
- **Indirect Cost Expense for Program Year – (\$)**The school nutrition program's share of general school districts costs that are incurred for common or joint purposes and cannot be readily identified as a direct cost.

# Procurement Certification

(Certification Statement collect during SNP Application Renewal for 2015/16)

- Procurement Certification  
All School Food Authorities
- 
- *I certify the federal regulations of the USDA's Child Nutrition Program as administered by the Division of School and Community Nutrition have been followed by the \_\_\_ Board of Education. The following identifies the regulations that must be followed for each program:*
- **7 CFR 210 National School Lunch Program**
- **7 CFR 220 School Breakfast Program**
- **7 CFR 215 Special Milk Program for Children**
- **2 CFR 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).**
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- *I understand that in order to participate in the USDA's Child Nutrition Programs each School Food Authority is required to have on file a Procurement Plan.*
- *I further understand that, if these regulations are not followed, any disallowed purchases may be subject to recoupment and I jeopardize the Child Nutrition federal funding received by \_\_\_ District.*
- 
- \_\_\_\_\_  
Food Service Director \_\_\_\_\_  
Date \_\_\_\_\_
- 
- \_\_\_\_\_  
Finance Officer \_\_\_\_\_  
Date \_\_\_\_\_
- 
- \_\_\_\_\_  
Superintendent \_\_\_\_\_  
Date \_\_\_\_\_
- 
- \_\_\_\_\_  
Chairman of Board \_\_\_\_\_  
Date \_\_\_\_\_

# Procurement:

## What regulations must SFAs follow?

	Micro Purchases	Procurement by Small Purchase Procedures	Sealed Bids (IFB) (formal)	Competitive Proposals (RFP) (formal)	Non-competitive Proposals
<b>Regulations</b>	200. 320(a) 200.67	200.320(b) 200.88	200. 320(c)(1)(i-iii) 200. 320(c)(2)(i-v)	200. 320(d)(1)	200.320(f)(1)
<b>Procedures in a nutshell</b>	Purchases not exceeding \$3,000, may be awarded without soliciting competitive quotations if price is reasonable	Purchases not exceeding applicable Small Purchase Threshold (Fed=\$150,000). Minimum of three price quotes	Technical specifications Advertise bid Public bid opening Award on price alone – firm fixed price	Solicitation includes evaluation criteria. Award based on score with primary weight on price (not price alone)	Item available only from a single source; public exigency; competition deemed inadequate
<b>SA oversight</b>	Assurance of reasonable and necessary costs; purchases distributed equitably among qualified suppliers; Buy American; documented	Assurance of competition; Buy American; documented	Assurance of advertising, bid opening, resulting in <b>fixed price</b> contract (required provisions-- 7 CFR Part 210, 2 CFR Part 200, Appendix 2 Part 200)	Assurance of advertising, proper evaluation/award, results in <b>fixed price</b> or <b>cost reimbursable</b> contract (required contract provisions--7 CFR Part 210, 7 CFR Part 200, Appendix 2 Part 200)  SA must assure SFA receives discounts, rebates and credits in cost reimbursable contracts	Assure adherence to 200.320(f)(1)

# Program Regulations

## National School Lunch Program:

- 7 CFR PART 210.16 - Food Service Management Companies
- 7 CFR Part 210.21 – Procurement Standards

## School Milk Program:

- 7 CFR PART 215.14a - Procurement Standards

## School Breakfast Program:

- 7 CFR PART 220.16

## Summer Food Service Program:

- 7 CFR PART 225.17

## Child and Adult Care Food Program:

- 7 CFR Part 225.21 Food Service Management Companies
- 7 CFR PART 225.22 Procurement Standards

# SFA Procurement Plans and upcoming Procurement Reviews

- SCN will provide workshops this Fall to assist SFAs in developing their procurement plan. Plan will outline procurement methods for contracts awarded within the child nutrition program.
- Procurement Reviews – USDA currently developing instrument to be used. Reviews will begin in 2016/17.



# Procurement for Renovation of Facilities

## Renovating a School Kitchen

- 2 CFR Part 225, Appendix B, section 25, *Maintenance, operations and repairs*, identifies costs of normal repairs and alterations as allowable so long as they:
  - (1) keep property in an efficient operating condition;
  - (2) do not add to the permanent value of the property or appreciably prolong its intended life; and
  - (3) are not otherwise included in rental costs or other charges for space. Based on these principles, FNS has allowed limited renovations **within the inside perimeter** of a kitchen/cafeteria space with the required prior SA approval.

# Procurement for Renovation of Facilities

## Renovating a School Kitchen

- For example, renovating a kitchen by cutting away a portion of the wall to allow room for a walk-in refrigerator and related electrical wiring would be an allowable expense if the renovation is necessary to accommodate increased participation of students in the School Meal Programs. However, it would be an unallowable expense if renovation of the kitchen was purely an aesthetic matter.
- Finally, the SFA cannot charge normal maintenance costs directly to the nonprofit school food service account if such costs are included in the school district's indirect cost pool.

# Procurement for New Construction

## **Building a School Kitchen**

SMPs regulations in 7 CFR Parts 210.14 and 220.7(e)(1) require that revenues received by the nonprofit school food service are to be used only for the operation or improvement of such food service, except that, such revenue shall not be used to purchase land or buildings, or to construct buildings, unless otherwise approved by the FNS. Historically, FNS has not approved the cost of building purchases because program funds are made available to help support the costs of nutritional benefits for children in school settings and not to construct school related facilities. The goal is to ensure that an SFA maintains the necessary funding to operate the program as required by the SMPs' authorizing legislation and regulations, and that the nonprofit school food service account is not used to cover major expenses that should be borne by the school district's general funds (i.e., capital infrastructure costs).

# Procurement for New Construction

## Building a School Kitchen

The costs of building a kitchen are analogous to the costs of constructing school buildings, which historically have been borne by the school district with general or capital improvement funds. Similarly, such capital infrastructure costs should be borne by the school district just as the school building and its contents should be.



# Procurement for Equipment Purchases

## Equipment Purchases

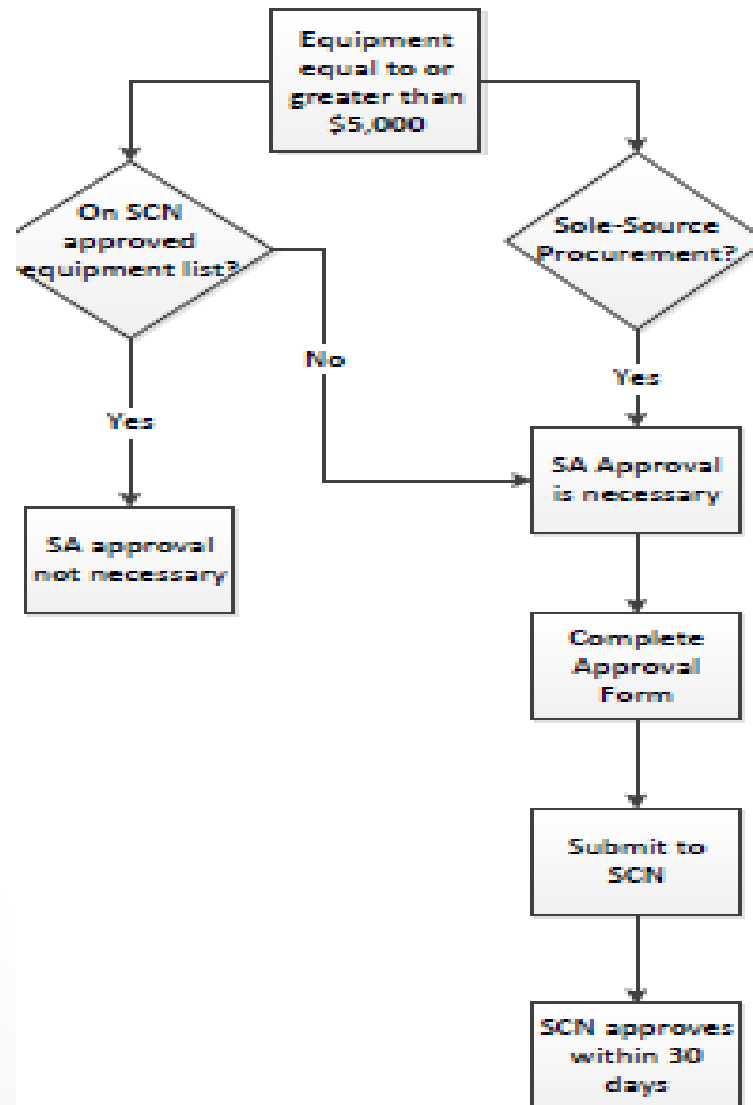
If food service equipment is to be purchased with Food Service cash, this equipment must be bid separately from the bidding of the rest of the project using wage rates as outlined under provisions of the Davis-Bacon Act and bidding provisions outlined in for the expenditure of these monies.

- SP 31-2014 State Agency Prior Approval Process for SFA Equipment Purchases requires approval on equipment purchases equal to or greater than \$5,000. SCN has created an approved list of equipment that does not require prior approval unless the equipment is being purchased through sole source procurement.

Approval form:

- <http://education.ky.gov/federal/SCN/Documents/Policy-State%20Agency%20Approval%20Process%20for%20SFA%20Equipment%20Purchases.pdf>

### State Agency Approval Process for SFA Equipment Purchases



# Procurement for Equipment Purchases

## Equipment Purchases

- This can be undertaken by bidding Food Service Equipment as an “Alternate” and clearly outlining in the contract documents, the terms under which this equipment is to be bid.
- Cost contracts and cooperative purchase agreements can only be used if they were procured using the Federal Guidelines noted herein.
- **Please note that State and Local Equipment Cost Contracts are NOT valid unless they have been procured through the federal provisions noted above and these bid must be undertaken for EACH project.**
- When submitting the BG1 to Facilities Management at KDE for approval, it must state that Fund 51 will pay for the equipment if allocated as such.

# Indirect Cost Addenda

## SNP Renewal

### 2015-16 NSLP Application Addenda

The \_\_\_\_\_ Board of Education:

(Check which is applicable for your district.)

1. \_\_\_\_\_ Will collect indirect cost from food service at the non-restricted rate approved by KDE.
2. \_\_\_\_\_ Will collect indirect cost at a rate less than the non-restricted rate approved by KDE.
3. \_\_\_\_\_ Will not collect indirect cost from food service.

We understand that the non-restricted rate issued by the KY Department of Education for our district will be used to calculate the indirect cost. We also understand that the indirect cost should be transferred **monthly** and **cannot exceed the allowable amount**. We understand that this document is valid for the 2015-16 school year and will be renewed yearly.

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Superintendent's Signature

Date



# Indirect Cost Issues

- SFAs report indirect cost rate and monies paid for previous program year during Financial Reporting.
- Use non-restricted rate or a lesser rate
- Apply the rate to salaries and benefits (excluding on-behalf payments)
- Cannot treat something as a direct cost if it is also included in the indirect cost pool
- Indirect cost needs allocated consistently across all programs.

# Direct Cost Issues

- If a cost is considered a direct cost to one federal program, it must be treated as a direct cost to ALL federal programs
  - Example: garbage removal
  - Example: maintenance personnel

# Questions?

Deanna Tackett, Director  
School and Community Nutrition  
Kentucky Dept. of Education  
[deanna.tackett@education.ky.gov](mailto:deanna.tackett@education.ky.gov)

Lisa Lang, Assistant Director  
School and Community Nutrition  
Kentucky Dept. of Education  
[Lisa.lang@education.ky.gov](mailto:Lisa.lang@education.ky.gov)

My contact information:  
Valerie Crouch, SNS  
School Branch Program Manager  
School and Community Nutrition  
Kentucky Dept. of Education  
[valerie.crouch@education.ky.gov](mailto:valerie.crouch@education.ky.gov)